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## **GLARING ASYMMETRIES OF THE GLOBALIZATION: AN ANALYSIS ORIENTED TO BUSINESS ECONOMICS**

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**ABSTRACT.** In the present international economic scenario, the ethical evaluation of the relationships between the corporate system and the processes of globalization is a topical matter also strongly related to immigration policies that involves a strong collaboration among the main actors of the economic system represented by companies, non-profit organizations, citizens and public institutions. The basic misunderstanding is the fact that globalization has certainly created wealth in the emerging countries, but has also generated the complete cancellation of industrial districts in many developed countries. The central part of the analysis will try to systematize the glaring asymmetries of the globalization that have generated a present load of uncertainties such as social unrest, economic instability and migration flows out of control: these uncertainties have created a common and widespread anxiety and an “era of uncertainty” in the 21<sup>st</sup> Century. Following an approach oriented to Business Economics and starting from the relationship between the concepts of globalization, sustainable development and corporate social responsibility, the aim and scope of the paper is to try to propose a theoretical revision of the present paradigms applied to globalization.

**JEL codes:** M14; M16; M21

**Keywords:** corporate culture; diversity; social responsibility; international business administration; business economics

## **1. Introduction**

The initial evidence of this paper regards the fact that the emerging model of globalization has caused few benefits and many negative aggravations: a balance (between benefits and costs) certainly at a loss, with few winners and many losers.

In other words, the current interpretation of the “theory of free trade” (Markusen et al., 1998; Milner et al., 1989) has generated a basic misunderstanding (Deraniyagala et al., 2001; Irwin, 2015) synthesizable in a model of globalization that has certainly created wealth in the emerging countries, but has also generated the complete cancellation of local economies in many developed countries by radical industrial relocation.

From this observation multiple consequences are derived, known to us as glaring asymmetries of the globalization that have generated a present load of uncertainties such as social unrest, economic instability and migration flows out of control: these uncertainties have created a common and widespread anxiety and an “era of uncertainty” in the 21<sup>st</sup> Century.

Following an approach oriented to Business Economics and starting from the relationship between the concepts of globalization, sustainable development and corporate social responsibility, the aim and scope of the paper is to try to propose a theoretical revision of the present paradigms applied to globalization.

As stated, the underlying research question can be formulated as follows: following an approach oriented to Business Economics, is it possible to formulate new business models that represent prospectively a stimulus to overcome the present glaring asymmetries of the globalization?

The proposal of the answer to the previous research question will be based on a research methodology oriented to the “Aprioristic Theory” (Ayres, 1961; Freadman et al., 1992; Haspelmath, 2012), where its potential will be applied to satisfy the aim and scope of the paper: every single paragraph of the article will examine the literature review of reference.

## **2. Processes of Globalization: Concepts Underlying and Related Relations**

In the previous pages it was stated that the glaring asymmetries of the globalization have generated a present load of uncertainties such as social unrest, economic instability and migration flows out of control.

These asymmetries are represented by a generalized discomfort, which manifests itself in economic and social aspects, but whose origins are probably related to Business Ethics: the same Business Ethics – a discipline very much related to the Business Economics – should necessarily be

subjected to a profound reshaping, by theorizing and systematizing new doctrinal paradigms of reference.

This premise allows us to understand that it is not possible to propose a theoretical revision of the paradigm of globalization oriented to Business Economics without contextualizing these concepts to Business Ethics.

From this point of view, the concept of Business Ethics is closely related to those concerning the “sustainable development” and the “corporate social responsibility”.

The first concept – regarding the “sustainable development” – has been introduced and defined in 1987 by the World Commission on Environment and Development (WCED) – as “(...) the economic and social development that doesn’t compromise the environment and the natural resources the continuation of human species and the future development depend on (...)” (WCED, 1987: Chapter 2: Towards Sustainable Development).

As regards the second concept – concerning the “corporate social responsibility” – it has been defined by the European Commission as “(...) the voluntary decision to contribute to the progress of the society and to the defense of the environment, integrating social and environmental problems into the corporate operations and the interactions with the stakeholders (...)” (EC, 2000).

This last concept – concerning the “corporate social responsibility” – has been reviewed in 2011 by a new European policy on “corporate social responsibility”: the new policy states that to fully meet their social responsibility, the enterprises “(...) should have in place a process to integrate social, environmental, ethical and human rights concerns into their business operations and core strategy in close collaboration with their stakeholders (...). The aim is both to enhance positive impacts – for example through the innovation of new products and services that are beneficial to society and enterprises themselves – and to minimize and prevent negative impacts (...)” (EC, 2011).

From the previous definitions, it is possible to underline that the mentioned topics – “sustainable development” and “corporate social responsibility” – have three common denominators in the concepts of social, environmental and economic sustainability, whereas they are different from the scientific disciplines of reference: the “sustainable development” is studied by Economics, while the “corporate social responsibility” concerns Business Economics.

With reference to the international literature review, it should be noted that the recalled “three-dimensionality” – economic, social and environmental sustainability – due to the “corporate social responsibility” and to the “sustainable development”, also offers a direct connection to “triple bottom line” Theory, an academic approach oriented to Business

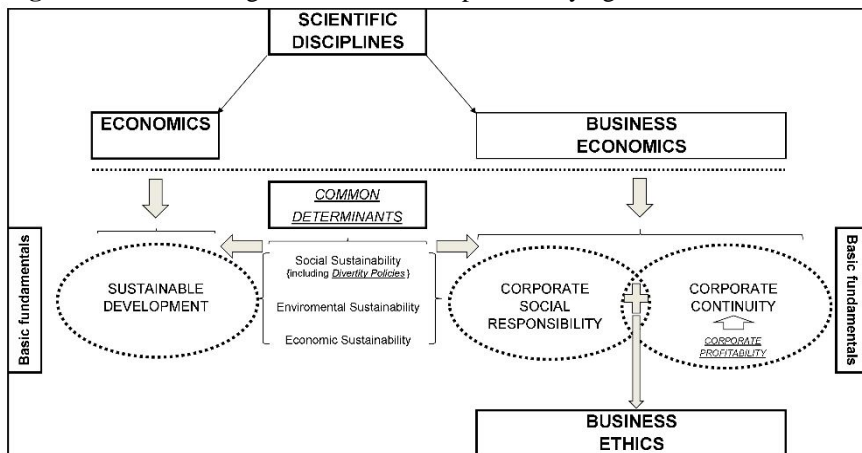
Economics and developed in late 1990s by Elkington (Elkington, 1994, 1998; Manetti, 2006; Savitz, 2006, 2012).

At this point, it is possible to define a corporate model globalized and oriented to Business Ethics, in which two conditions must be satisfied jointly:

- there must be a constant and continuous attention to the value creation for stakeholders, condition that matches the “corporate social responsibility” features,
- and there must be a regular and fair presence of “corporate profitability” for shareholders, a necessary condition to ensure “corporate continuity” (Coda, 1985).

Alternatively, it is possible to say that the only exclusive presence of the “corporate social responsibility” does not always guarantee “business continuity” (Herbane, 2010), while the only exclusive presence of the “corporate profitability” does not always guarantee full compliance with the Business Ethics principles: the following Figure 1 proposes a synthesis of what has been proposed in these pages.

**Figure 1** Processes of globalization: concepts underlying and related relations



Source: Development proposed by the Authors

These concepts – “sustainable development” and “corporate social responsibility” – have two common denominators coincident with environmental and social sustainability, while the third element – the “economic sustainability” – takes a different meaning depending on the following profile of observation.

In economics disciplines, “economic sustainability” coincides with the concept of “balanced development” between human needs and resource

constraints, while in Business Economics disciplines “economic sustainability” is synonymous with “corporate continuity”, a condition that can be only guaranteed with the presence of “corporate profitability”.

In this case, the “corporate continuity” can be obtained only in the presence of a systematic and continuous “corporate profitability” resulting by an accurate business strategy having a long-term vision and a parsimonious dividend policy.

Consequently, it is possible to derive two models of globalization adhering to the dictates of Business Economics:

- a) a “positive globalization (or fair globalization)”, in which voluntary actions related to Business Ethics (cause) represent the instrument for the realization of the processes of globalization oriented towards a sustainable development dimension (effect),
- b) a “negative globalization (or wild globalization, or unbridled globalization)”, the opposite case, in which is present a less orientation to sustainable development by the “global players”.

After illustrating the concepts underlying the process of globalization and the related relations (of cause and effect), the next paragraph presents the business models of companies (globalized or not globalized) due to the declination of Business Ethics just exposed.

### **3. The Business Models of Companies (Globalized or Not Globalized) Due to the Declination of Business Ethics**

At present, the topics concerning Business Ethics appear to be strongly related to the theme of globalization of markets. For this reason, the paper would like to propose – in this paragraph – a short presentation of corporate paradigms explained following a Business Economics approach.

In adherence to Business Economics approach and with reference to the corporate activities of international relocation (or internationalization of business), it is possible to identify four “Business Models”; they are respectively:

- a) “Local Corporate Model (LCM)”,
- b) “Budded Corporate Model (BCM)”,
- c) “Partial Relocated Corporate Model (PRCM)” and
- d) “Hollowed Corporate Model (HCM)”.

The features concerning each model are presented below following the same sequence of exposure.

a) “Local Corporate Model (LCM)”.

These enterprises do not realize global strategies; the business continues to be allocated only inside the domestic market; these companies – also called “Local Players” – suffer passively the international competitiveness (except for some specific handicraft sectors); in the long term these companies may have strong problems of survival resulting from the globalization of markets. Under these circumstances, this kind of company could have – in the long term – problems on its durability and, then, would come to have a non-adherence to the concept of business ethics previously exposed.

b) “Budded Corporate Model (BCM)”.

These subjects realize full global strategies; these companies actively address themselves to the international competitiveness; new enterprises are created around the world, but the holding (or “Parent Company”) maintains the historical operational structure; this approach does not cause a negative impact in terms of employment in the areas where the business has had historically origin.

c) “Partial Relocated Corporate Model (PRCM)”.

This corporate model realizes partial relocation strategies; the companies actively addressing the international competitiveness and the corporate delocalization regard some corporate functional areas (e.g. production area, finance area, etc.) (Ferrero, 1987) or some business units or some business processes, etc. This business model has a partial negative impact in terms of employment in the areas where the business has had historically origin (with reference to the “Parent Company” geographical area).

d) “Hollowed Corporate Model (HCM)”.

This approach realizes full relocation strategies and these companies actively addressing the international competitiveness. In this case, the corporate delocalization regards all the corporate functional areas, or all business units, or all business processes, etc. This model has a strong negative impact in terms of employment, because the “Parent Company” becomes a “Hollowed Company”: in other words, the headquarters in the country of origin remains only as an intangible entity with a formal profile exclusively related to the tax and legal purposes.

As stated above, only the “Budded Corporate Model (BCM)” would have a full adherence to the concept of Business Ethics, contributing to the full development of a concrete “positive globalization (or fair globalization)”, while the other three cases – the “Local Corporate Model (LCM)”, the

“Partial Relocated Corporate Model (PRCM)” and the “Hollowed Corporate Model (HCM)” – for different reasons, would, therefore, be included in the “negative globalization (or wild globalization, or unbridled globalization)”.

#### **4. Conclusion**

Following an approach oriented to Business Economics and starting from the relationship between the concepts of globalization, sustainable development and corporate social responsibility, the paper has tried to propose a theoretical revision of the paradigm of globalization.

As stated above, only the “Budded Corporate Model (BCM)” would have a full adherence to the concept of Business Ethics and could fully satisfy the initial research question: is it possible to formulate new business models that represent prospectively a stimulus to overcome the present glaring asymmetries of the globalization?

This model will spread around the world only in the presence of two prerequisites:

- uniformity of the international tax system
- and uniformity of the international financial system.

These prerequisites – the implementation of which is the exclusive domain of domestic and international policy makers of reference – would have evidence in an appropriate “global legal standards” system shared and universally accepted, aimed to explicit homogeneous fiscal and financial conditions (Krisch et al., 2006).

The absence of these prerequisites would make the “positive globalization (or fair globalization)” such as a theoretical paradigm, illusory and probably not feasible.

It is evident the theoretical profile (and perhaps unrealistic) of the conclusions of the paper: these comments are suggested more from a simple common sense, that by complex econometric models, often questionable (e.g. the current debate about the usefulness – or futility – of the European parameters of Maastricht) (Caputo et al., 2015; Pasinetti, 1998).

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